

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 SP-02 USIA-06 AID-05 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
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R 311432Z MAR 78
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC 8047

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E.O. 11652: N/A
TAGS: EFIN XMB
SUBJ: ZAMBIA REQUESTS EXIM GUARANTEES EXTENSION/RENEWAL

REF: LUSAKA 1102

1. AMBASSADOR AND ECON OFFICER MET WITH GRZ MINISTER OF FINANCE JOHN MWANAKATWE ON MARCH 30 TO DISCUSS GRZ/IMF AGREEMENT (SEPTTEL) AND EXIM GUARANTEES IN ZAMBIA. MEETING WAS REQUESTED BY MWANAKATWE WHO SAID HE WAS ACTING ON INSTRUCTIONS OF PRESIDENT KAUNDA AND WAS HAVING SIMILAR DISCUSSIONS WITH BRITISH.
2. MWANAKATWE'S PURPOSE APPEARED AT FIRST TO BE A REQUEST FOR RESCHEDULING OF CERTAIN U.S. BANK LOANS CURRENTLY OUTSTANDING AND GUARANTEED BY THE EXPORT IMQRT BANK. AFTER FURTHER DISCUSSION, HOWEVER, THE MINISTER MADE A DISTINCTION BETWEEN RESCHEDULING GOVERNMENT DEBTS (AS THROUGH THE PARIS CLUB MECHAFISM) AND AN EXTENSION OR RENEWAL OF CURRENT EXIM GUARANTEES.
3. AS MWANAKATWE PUT IT, SEVERAL COMMERICAL BANKS (EQUATOR IN PARTICULAR WAS MENTIONED) HAVE LOANS

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OUTSTANDING TO ZAMBIA WHICH FALL DUE IN THE NEXT 30 TO 60 DAYS. THESE LOANS ARE GUARANTEED BY EXIM AND THE GUARANTEE COVERAGE IS ABOUT TO EXPIRE. HE INDICATED THAT HE IS REASONABLY CERTAIN THAT THE BANK(S) INVOLVED WOULD EXTEND THE DUE DATE ON LOAN REPAYMENTS IF EXIM WOULD EXTEND THE GUARANTEE PERIOD. HE WAS SEEKING THE EMBASSY'S SUPPORT FOR THIS EXTENSION OR RENEWAL OF GUARANTEES BY EXIM.

4. MWANAKATWE SAID THE PROBLEM OF ARREARS ON DEBT WOULD BE MITIGATED BY AN IMF STANDBY AGREEMENT BUT THAT AN AGREEMENT WOULD NOT BE LIKELY BEFORE SOME REPAYMENTS ARE DUE. HIS PERMANENT SECRETARY, WHO ALSO ATTENDED THE MEETING, SAID ZAMBIA WOULD LIKE TO DEFER SOME OF THE COMMERCIAL DEBT IN ORDER TO HAVE FOREIGN EXCHANGE AVAILABLE FOR IMMEDIATE IMPORT NEEDS UNTIL THE IMF STANDBY IS APPROVED. EXIM EXTENSION/RENEWAL OF THE GUARANTEES TO COMMERCIAL BANKS IS CRITICAL TO THIS PROCESS.

5. THE MINISTER MADE IT CLEAR THAT HE WAS DISTINGUISHING BETWEEN THIS TYPE OF PROCEDURE AND AN OVERALL DEBT RESCHEDULING THROUGH THE PARIS CLUB MECHANISM. HE WAS ANXIOUS TO AVOID ANY SUGGESTION OF A "RESCHEDULING" AS SUCH. HE INTIMATED THAT ZAMBIA WOULD TRY TO MEET THE COMMITMENTS AS SCHEDULED (THOUGH IT WOULD BE DIFFICULT IF EXIM REFUSED TO RENEW OR EXTEND THE GUARANTEES.

6. EMBASSY NOT FULLY VERSED IN PRECEDENTS, MECHANICS OR PROCEDURES INVOLVED IN THE ZAMBIAN REQUEST. WE WOULD APPRECIATE RECEIVING EXIM COMMENTS AND/OR EXPLANATIONS ON THE ABOVE BEFORE WE OFFER ANY RECOMMENDATIONS. WE UNDERSTAND THE MINISTER OF FINANCE IS PLANNING A TRIP TO LONDON IN APRIL TO DISCUSS THIS SAME ISSUE WITH THE BRITISH. XST WOULD BE USEFUL IF WE COULD HAVE A RESPONSE TO PASS ON TO THE MINISTER BEFORE HIS TRIP. LOW

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Disposition Approved on Date:
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